

## **STRATEGY FORMULATION FOR BARBER POP**

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*Abstract— A survey conducted by “Channel News Asia” in 2011 declares Bandung to be one of top five most creative city in Asia. Therefore, it is not surprising that Bandung city became a source of creative businesses. Creative business today's not only limited to the goods sectors but also entered the service sector such as done by Barber Pop, which entered barbershop industry. The presence of Barber Pop has made a breakthrough in the industry. Unlike other barbershops, Barber Pop strives for excellent customer satisfaction by offering outstanding services while still retaining the traditional concept of a barbershop. The services that offered by Barber Pop has been favored by urban male in Bandung city. This was proven by the number of Barber Pop customers continues to increase every month since the opening of the Barber Pop by July 2011 which causing long waiting list. Based on these facts, the owners has intention to grow their business. However, after performing an analysis, there are internal problems faced by Barber Pop that can be an obstacle for Barber Pop in developing its business such as customers' dependence on specific barber, unfixed schedule of barbers' holiday, and also the limited capacity provided in current shop. The objective of this final project is to provide suitable strategies for Barber Pop in corporate, business, and functional level of the company in order to help Barber Pop to maintain and grow its presence. The recommended strategy as solution of Barber Pop current condition is that Barber Pop should opening new branch immediately with the same concept using differentiation strategy and fixing any shortcoming in internal condition by hiring public relation, creating barbers' portfolio, and also create incentive in order to increase barber level of discipline. The implementation of the strategies that were formulated, involve all the internal side of the company such as the marketing, financial, human resource, and operation departments. These strategies need to be monitoring and assessing because they will affect the company future conditions. Therefore a strategy measurement also provided in this final project to know whether the implemented strategy could achieve its target or not.*

*Key Words: service industry, barbershop business, growth strategy*

### **1. Introduction**

This final project is one of the courses which must be taken as a graduation requirement and aims to examine student's ability to discover, analyze, and solve the problem by implementing and integrating knowledge and skills that are already acquired during the lectures. The object that use in this final project is Barber Pop. Barber Pop is a barbershop business in Bandung city that has been operated since June 2011. The final project is expected to be beneficial to the company in order to enhance the company performance.

#### *a) Company Profile*

Barber Pop is founded by Mr. Zulian Setia Permana, Mr. Rizky Nugraha, and Mr. Rahmat Diputra. Barber Pop opened on June 2011 by renting space at Vanilla Building, located at Cimanuk street No. 11, Bandung. The concept of the barbershop is very unique, different from other barbershops which only offer standard service and limited facilities, Barber Pop strives for excellent customer satisfaction by offering outstanding services, quality products, and creating an enjoyable atmosphere in their shop while still retaining the traditional concept of a barbershop.

#### *b) Business Scope*

Barber Pop offers a variety of services: Giving hair cuts, styling hair, shaving and trimming facial hair, hair coloring and other specific services for men. Barber Pop chose its location strategically to be able to be appealing for men throughout all of Bandung to use their services; this location is on Cimanuk Street which is in the area where there are lots of restaurants and cafes that are frequently visited by people in Bandung.

*c) Company's Working Unit*

Barber Pop is a partnership business that owned by three owners. At this stage, Barber Pop has not yet implemented a divisional or functional structure. This is because Barber Pop only has ten people in the company consisting of three owners and seven employees, which are four barbers, two cashiers, and a helper. As consequence, Barber Pop only implemented a simple organizational structure or known as entrepreneurial structures.

*d) Business Issue*

The concept of Barber Pop attracted the attention of many people in Bandung and their service demand quickly grew. It can be seen from number of customers steadily increasing from the first month Barber Pop opened their shop and the increasing of waiting time and list. Based on that facts, the owners of Barber Pop have an intention to captive the huge demand of Barber Pop and have a desire to become a market leader of premium barbershop service industry in Bandung.

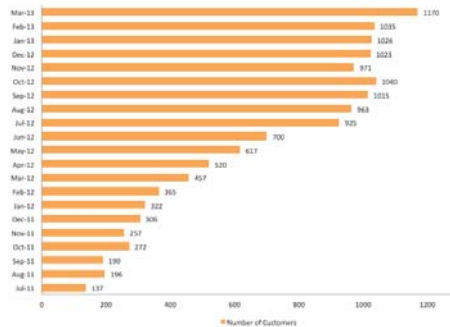


Figure 1.1 Number of Barber Pop's Customers

## 2. Business Issue Exploration

This chapter explains about the business exploration that faced by Barber Pop. Business issues will be explored related to the company situation analysis and business situation that faced by the company today.

### B. Conceptual Framework

Barber Pop needs new strategy, which could support and enhance its presence. In general, developing a strategy can be divided into several phases, which are: analysis; choose and develop strategies; implementation; and evaluation. The analysis conducted in this study are supported by literature study, the use of internal data, which include review of company's documents and interview with Barber Pop owners. The strategy formulated was based on a conceptual framework. The following framework at figure 2.1 not only could provide an overview of how the research conducted but also useful to find the root of the problems encountered on the business issues that have been mentioned previously.

Figure 2.1 Conceptual Frameworks

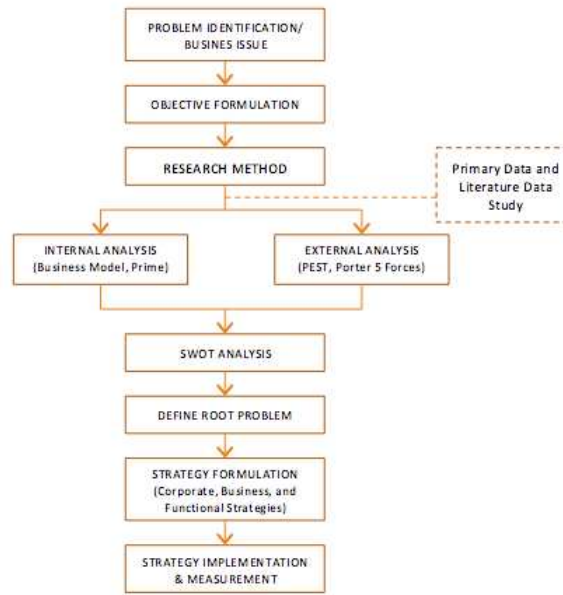


Figure 2.1 Conceptual Frameworks

The analysis conducted in this study are supported by literature study, the use of internal data, which include review of company's documents and interview with Barber Pop owners, barbers, and also customers. By using this framework, the business situation of Barber Pop could be analyzed and also could formulate a new strategy for Barber Pop to continue exist and thrive.

#### C. External Analysis

External analysis examines opportunities and threats of the company that exist in the environment. Method that used to analyze external factor is Enviromental analysis and Five Forces Porter's analysis.

##### a) Enviromental Analysis

The environmental analysis for a business looks at the factors inherent in a business's environment that may have some impact, such as political, economical, socio-cultural, and technological.

##### • Political

The Government of Bandung city continues to support the growth of creative industry. Barbershop business itself is a part of creative industry in service sector. Hijacking barbers by competitors often occurs in barbershop business. This is due to the loyalty of the barbers to companies are usually low and they usually not bounded by contracts. Mostly, the system of barber salary was based on commission sharing.

##### • Economical

City of Bandung also dominated by the middle class segment, it proven by a survey conducted on March-April 2012 by *Litbang Kompas* on six big cities in Indonesia; Jakarta, Yogyakarta, Bandung, Surabaya, Medan, and Makassar it shows that these cities are dominated by the middle class with details as follows in Table 2.1:

Table 2.1 Percentage of Each Segment in Six Cities in Indonesia

Segment Classification	Percentage (Average)
Upper Class	1%
Upper Middle Class	3.6%
Middle Class	50.3%
Bottom Middle Class	39.6%
Bottom Class	5.6%

Source: Kompas.com

##### • Socio-cultural

Bandung is one of the metropolitan cities in Indonesia with an urban society. Urban society, especially the middle and upper classes are now more concerned about what they consume or use and also life style. For them what they consume or use will affect their pride.

Most men used to cut their hair by barbers. But most barbershops available in Bandung city are very simple and old fashioned. Therefore, more and more urban male prefer to have their hair cut in a salon today. This is because, the urban men start to concern about comfort, services, hygiene, atmosphere, facilities, etc.

- *Technological*

The development of social-media on the Internet is beneficial for businesses. The platform increase communication for organizations to fosters brand awareness and often improve customer service. Additionally, social media serves as a relatively inexpensive platform for organizations to implement marketing campaigns.

- b) *Five-Forces Porter's Analysis*

Porter's Five Forces model of competitive analysis is a widely used approach for developing strategies in many industries. The intensity of competition among firm varies widely across industries (Fred, 2005: 92).

- *Bargaining power of buyer: Low*

The price offered in barbershops is fixed. The customer who already become a regular customer to a certain barber, they have tendency to always prefer their hair to be cut by the same barber, thus sometimes an increasing in price or even changing the shop location does not really matter to customers.

- *Bargaining power of Supplier: Low*

There are many suppliers who provide the necessary requirements by the barbershop so the players in barbershop industries are easy to get the necessary requirements needed. These items can be obtained at wholesale or retail. The way to get the items are also getting easier, because the suppliers from within and outside the country already has its own website so that the required items can be ordered online, and the item will be directly shipped by supplier.

- *Threat of substitutes: Medium*

Barbershops hair care services are in threat of being substituted by those offered by unisex salons. Unisex salons offer a range of hair care services which overlap those of which are offered by barbershops. However there are men who are embarrassed to visit the salons because they are perceived to be too feminine to them.

- *The Threat of Entrants: Medium*

There are no government regulations that regulate and limit the growth of the barbershop industry. The capital required to starting up a barbershop that offers a premium concept is quite high. Challenges for new entrants in the industry are revolved around attracting consumers.

- *Competitive Industry: Medium*

Barbershop with premium concept that exists today and already has a known brand with a price range similar to Barber Pop are Menn Barber Barber and Paxi. But at present the market leader for barbershop industry is Paxi, which currently already has several branches in Bandung and still expanding.

#### D. *Company Internal Analysis*

Internal analysis examines strengths and weaknesses of the company that exist in internal of Barber Pop. The company internal analysis was conducted by interview with company's owners and review from some company documents.

- a) *Company Business Model*

When analyzing a company, it is helpful to learn what sort of business model it is following.

- *Customer Segment*

The targeted customer of Barber Pop are 20 up to 35 years old of men from medium and high class of economic level that have urban lifestyle and also concern about prestige. However, In fact, in addition to the targeted target market, there are also many costumers who come are from high school students and men aged over 35 years old.

- *Value Proposition*

Value proposition that want to be delivered to the customers is Barber Pop is offering premium service to their customers. Barber Pop creates value for the customer segment through a distinct mix

of elements catering to that segment's needs, which are newness, performance, brand, and reasonable price.

- *Channels*

Barber Pop has one shop that located in Cimanuk street. The dimension of the shop is 4x6 meter. In this size of the shop, Barber Pop could only provide three barbers chair. And because the space availability in Vanilla building, it is impossible for Barber Pop to enlarge the room and add more capacity.

- *Customer Relationship*

A customer will only served by one barber in order to create an intimate relationship, which can also deliver the premium service concept to the customers. Barber Pop also has facebook and twitter to maintain relationship with their customers. Up until March 2013, the number of follower in twitter has reach 2540 follower and has 1027 friends on Facebook.

- *Revenue Stream*

Barber Pop earns the revenue from service activities requested by the customers undertake by the barbers. Price of the services offered are fixed. The price was set by considering the value offered (comfortable place, premium services, etc).

- *Key Resources*

Human resources are the key resources in barbershop business, especially barbers. Some of customers who only loyal to Barber Pop's barbers make some of customers will only want to be served by their chosen barbers.

- *Key Activities*

Key activities of Barber Pop can be categorized as problem solving activities which is to make the clients feel comfortable and satisfied with the process and result of service or treatment which given by Barber Pop's barbers in order to built customer's trust on Barber Pop brand.

- *Key Partnerships*

Barber Pop's key partnership is two investors who have a strong financial condition. Beside that, Barber Pop also doing strategic alliance with non-competitors, which has also the urban concept by sharing place to operated their business in one building.

- *Cost structure*

The cost structure of this business is coming from fixed cost (rent cost, cashier and helper salaries, cable TV subscription, Internet, magazine and newspaper) and variable cost (Water and electricity, barbers salaries, tools and equipment maintenance, hair and treatment products).

- *Prime Analysis*

Prime analysis is used to analyze the competitiveness of Barber Pop. This tool not only could detect internal competitive factor but also company weaknesses by analyzing five important factors, which are products/services, resources, individuals, markets and economics.

- *Products or Services*

The services offered by Barber Pop are the improvement from services that usually offered by other barbershops. Barber Pop delivers a new experience to their clients on hair cutting activities.

- *Resources*

The resources needed for run the barbershop business which offers a premium service already fulfill. Barber Pop has accessibility to all the resources needed, such as human resource, financial, and physical.

- *Individuals*

Overall, Barber Pop owner has a strong individual character. He has several experiences in business before. The owner has a commitment to develop his company, therefore he always control the business process in the company.

- *Markets*

Barber Pop market size is quite wide. It can seen from the customers who came to the shop is very various in age and occupation.

- *Economics*

The business can categorize as a stable business because the business based on basic need of man, but it is very necessary to keep satisfy the customer in order to make them as a repeated buyer because the harvest option of this business relies on the customers.

#### E. SWOT Analysis

SWOT is an acronym used to describe the particular Strength, Weakness, Opportunity, and Threats that are strategic factor for a specific company. Table 2.2 describes the SWOT of Barber Pop.

Table 2.2 Barber Pop's SWOT Analysis

No	STRENGTH	COMMENTS	No	WEAKNESS	COMMENTS
S1	High number of customers	High number of customers	W1	Customer Loyalty	Barber loyalty not Brand Loyalty
S2	Customer relationship	Strong Social Network Followers	W2	Space available	Limited and impossible to add more capacity
S3	Barbershop concept and location	Unique Urban Concept Store and Easy access	W3	Services	Long Waiting List
S4	Capital access	Two passive owners that provide financial support	W4	Barber Working Time	Unscheduled Barber Holiday
S5	Human resource and service quality	Well Trained Human resource with good tools & facilities			
No	OPPORTUNITY	COMMENTS	No	THREAT	COMMENTS
O1	Necessity level of service	Hair cutting is a basic needs	T1	Substitute Product	Existences of Unisex salon and budget barbershop
O2	Numbers of Competitors	Low Numbers of Competitors	T2	Barber Loyalty	Barber Hijack by Competitors
O3	Potential Market	Chance for explore potential premium market	T3	Expansion of Competitor	Losing Market Share
O4	Availability of Human resource	High Availability Barber from Garut with average skill	T4	Barriers to entry	Only matter of capital

#### F. Root cause analysis

Based on the internal and external company analysis that has been done, it is known that there are some problems faced by Barber Pop to develop its business, which are:

1. There are some customers who have dependence on barbers. They only want being served by their chosen barbers. This will be harmful for the company, the customers usually have tendency to follow the barbers go and Barber Pop might be lose some of their customers.
2. Unfix schedule of barbers' holiday is one of obstacles of Barber Pop to meet the growing demand of Barber Pop's services. And this can cause the company cannot get maximum revenue.
3. Capacity provided in Barber Pop cannot meet the growing demand of Barber Pop's services and it is impossible for Barber to add more capacity in current location because of the limited available space.

The three root causes that have been mentioned above are the source of the problems that become a based foundation for creating problem solving that needs to be consider for developing strategies at Barber Pop.

### 3. Business Solution

The recommendation for the business solution is by creating strategy formulation, which contains strategy at the corporate level, strategy at the business level, and strategy at functional level.

#### a) Corporate Strategy

Based on the current condition where is Barber Pop has highly in demand and sometimes the demand are exceed the capacity provided so Barber Pop is recommended to growth its business by choosing concentration strategy through horizontal growth because the situations show that company's current services have real growth potential. This strategy could achieve by opening new branch with the same concept.

In addition, it is suggested that Barber Pop to modify the current vision because the current vision does not clearly define the direction of the company. By that, Barber Pop vision needs to be revise from to introduce and maintain the old tradition of barbershop to become the best barbershops in town. With this new vision, it will describe what the organization would like to become.

#### b) Business Strategy

Business strategy that to be recommended to Barber Pop will base on Porter Generic Strategy framework. The strategy that suitable with current conditions is differentiation strategy. Since Barber Pop has an ability to provide unique and superior value to the customers in terms of product quality so Barber Pop able to charge premium to its service. Beside that, differentiation is a viable strategy for earning above-average returns in a specific business because the resulting brand loyalty and lowers customers' sensitivity to price.

#### c) Functional Strategy

The functional strategies which will selected for Barber Pop is a derivative of the strategy obtained from TOWS Matrix.

Table 3.1 Barber Pop's TOWS Matrix

Internal and External Factors	Strength	Weakness
	S1: Number of customers S3: Barber Pop Concept & Location S4: Capital Access S5: Human resource & Service Qualities	W1: Customer Loyalty W2: Space available W4: Barber Working Time
Opportunities	SO Strategies	WO Strategies
O2: Numbers of Competitors O3: Potential Market O4: Availability of Human resource	1. Market development by Quickly open new branch in strategic location to increase service capacity and captive the potential market [S4, O2, O3]  2. Hiring new barber [S1, O4]	1. Hire PR to maintain costumer and gain a new customer [W1, O3]  2. Scheduling barber working time [W2, W4, O3]  3. Provide well training for every barber to reduce the skill gap [W1, O4]
Threats	ST Strategies	WT Strategies
T1: Substitute Product T2: Barber Loyalty T3: Expansion of Competitor	1. Educate market about barbershop and keep increasing human resource & services qualities [S5, T1]  2. Create promotion program and increase the marketing activity using social media, website and catalog. [S1, S3, T3]	1. Shift customer loyalty from barber loyalty to brand loyalty [W1, T2]  2. Give incentive to increase barber level of discipline [W4, T2]

#### 4. Conclusion and Implementation Plan

Strategy implementation is the sum total of the activities and choices required for the execution of a strategic plan. Poor implementation has been blamed for a number of strategic failures (Wheelen and Hunger, 2012: 272). Strategy implementation involves establishing programs, person or unit who is responsible for conducting these activities, timeframe of the activities and flow of information, goods and money in each activity.

##### d) New Organizational Structure

The dominance of the owners to control over all business aspects needs to be delegated. Because the organization size will become bigger then it must have a new effective and efficient management system. The recommendation organization structure will be described below at figure 4.1



Figure 4.1 Barber Pop's New Organizational Structure

##### e) Strategy Implementation

The implementation plan based on recommended functional strategic consist of program activities, action steps, person in charge, time to-start, time to-end, and budget are described in Table 4.1.

Table 4.1 Barber Pop's Strategy Implementation

Function	Program Activities	Action Steps	Person In Charge	Start	End	Budget (IDR)
Human Resources	Recruitment for branch manager & PR, barbers, administration and helper	Announce jobs vacancy trough social media, newspapers and reference from the barbers at Barber Pop	Owner	15 June	28 June	500,000
		Interview with the candidate	Owner	19 June	30 June	-
	Staffing	Provide Training and Trial Period	Owner	2 July	9 July	4,000,000
		Socialize the new organization structure				
	Improving Current Barbers service skills	Invite hair styling expert to provide training	Owner	2 July	9 July	3,000,000
	Improving barbers level of discipline	Meeting with branch manager to provide scheduling and incentive system for barbers	Owner and Branch Manager & PR	10 July	15 July	
Marketing	Creating Barber Portfolio & leaflet to educate the market	Invite influential people in Bandung to Barber Pop	Owner and Branch Manager & PR	12 June	1 July	3,000,000



		Take photos for every barbers results of hair cutting	Owner and Branch Manager & PR	12 June	1 July	
		Contact designer for creating leaflet about Barber Pop and soft launching of new branch	Owner and Branch Manager & PR	17 June	20 July	3,500,000
		Distribute the leaflet about Barber Pop to urban stores	Branch Manager & PR	1 Aug	14 Aug	1,500,000
	Creating and promoting Websites	Contact web designer for discussing and creating website includes concept and online booking system at the websites	Owner	17 June	22 July	10,000,000
		Socialize Barber Pop Websites	Branch Manager & PR	23 July		
	Communicate and promote new branch	Promoting the new branch trough social media, newspapers, magazines, and Barber Pop Websites	Branch Manager & PR	1 Aug	30 Aug	2,000,000
		Directly contact the customers trough text message and phone calls	Branch Manager & PR	1 Aug	30 Aug	1,000,000
	Soft launching for new branch	Creating promotion program for soft launching	Branch Manager & PR	20 July	31 July	-
		Communicate soft launching for new branch trough social media, newspapers, magazines, and Barber Pop Websites	Branch Manager & PR	1 Aug	14 Aug	1,000,000
		Contact costumer about soft launching of new branch	Branch Manager & PR	1 Aug	14 Aug	1,000,000
		Distribute the leaflet of soft launching through urban stores	Branch Manager & PR	1 Aug	14 Aug	1,000,000
		Soft launching ceremony at new branch	Branch Manager & PR	15 Aug	22 Aug	3,000,000
Finance	Provide Funds for New Branch whether it comes	All the owners discuss for decided the source of funds	Owner	10 May	17 May	500,000

	from themselves or loan from bank or find new investors	and creating loan proposal				
		Creating decision about the source the source of funds		17 May	18 May	500,000
	Creating new financial system for both branch	Introduce the new financial system by hiring a professional consultant	Owner, Administration, Branch Manager	1 June	1 Aug	4,000,000
		Provide training for the users		1 June	1 Aug	
Operation	Finding the good location which related to the urban concept for new branch	Negotiate for renting the place for new branch	Owner	18 May	30 May	60,000,000 / year
		Renovate and redesign the place	Owner	1 June	31 July	30,000,000
	Creating New Standard Operating Procedure for branch	Creating standard service for clients and introduce new job descriptions.	Owner	12 July	19 July	1,000,000
	Providing tools & Equipment for new branch	Contact suppliers and decide which kind of barber tools and equipment that will be buy	Owner and Barbers	10 June	3 Aug	25,000,000
		Contact suppliers for buying interior facilities	Owner	10 June	3 Aug	25,000,000
	Creating network system that allow to connect the computer between branch	Find an IT expert to create network support system between computer trough online for each brand	Owner	1 June	1 July	4,000,000
		Buying computers that could support networking system for each branch and set up the computer	Owner	1 June	15 July	4,000,000
		Provide training for the user	Owner	1 Aug	11 Aug	1,000,000

*f) Strategy Measurement*

The strategy measurement is needed as an indicator whether the strategy implementation could perform well or not.

Table 4.2 Barber Pop's Strategy Measurement

Function	Program Activities	Measurement
Human Resources	Recruitment for branch manager & PR, barbers, administration and helper	The availability the high quality human resources for supporting business activity at Barber Pop in June 2013
	Staffing	Every worker could perform well with their job, knowing their task and responsibility.
	Improving current barbers service skills	Barbers become expert to serve the costumers and also have knowledge and skills of hair cutting and hair trend.
	Improving barbers level of discipline	There is no barber chair without barber in daily operation and also there is no barber without barber chair in daily operation
Marketing	Creating Barber Portfolio & leaflet to educate the market	Provide a good description and picture about barbers portfolio and interesting leaflet that distribute at every urban store in Bandung so it could attract customer. Customers' trust in Barber Pop brand. The costumer will be not relying on one barber.
	Creating and Promoting Barber Pop Websites	The websites could be access any time without any problems with the web domain The Number of visitors of Barber Pop websites reach 400 visitors in the first month
	Communicate and promote new branch	People awareness about the existence of new branch. Increasing of total numbers of customers for first 4 months.
	Soft launching for new branch	The numbers of costumer that come to new branch for the first week reach 150 customers.
Finance	Provide Funds for New Branch whether it comes from themselves or loan from bank	There is enough fund for funding the new branch and support the new management system.
	Creating new financial system for both branch	Effective and efficient new financial system.
Operation	Finding the good location which related to the urban concept for new branch	The location is easy to access and the target market aware about the existence of new branch.
	Creating New Standard Operating Procedure for branch	Provide service excellent, customer trust in Barber Pop brand.
	Providing tools & Equipment for new branch	Availability of tools and equipment that needed to run the business.
	Creating network system that allow to connect the computer between branch	Supporting system that could connect between one branch and another branch for monitoring the financial system and costumer reservation.

g) *Conclusion*

After analyzing the current condition, it shows that Barber Pop is in growth stage and the strategy needed by the company based on its SWOT is horizontal growth strategy by opening new branch with the same concept. Beside that, Baber Pop needs to fix any shortcoming that exists in the company's internal conditions to improve company performance. To achieve the company objective, the strategies that have been formulated should be implemented until the functional level. These strategies need to be monitoring and assessing to know whether the implemented strategy could perform well or not. Therefore strategy measurement is needed here as an indicator to know the performance of each activity that run by the company. If the strategies could perform well at the level that already determined in strategy measurement, it indicates that Barber Pop has successfully maintain and enhance its presence and might achieve the owner desire to become a market leader on premium barbershop industry in Bandung city.

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